VSTECS (VST MK)

3Q25: Strong Results; AI Set To Drive Growth Ahead

BUY (Maintained)	
Share Price	RM4.22
Target Price	RM5.10
Upside	+20.8%

Analyst(s)
Ku Wei Xiang
weixiang@uobkayhian.com
+603 2147 1916

Desmond Chong
desmondchong@uobkayhian.com
+603 2147 1980

Highlights

- VSTECS' 3Q25 earnings came in strong with robust growth across all three business segments.
- Growth momentum is expected to continue in 4Q25 and into 2026 as Malaysia colocation data centres enter the fit-out phase, which will benefit VSTECS.
- Meanwhile, the group is exploring new AI-related business opportunities, which could further supercharge its growth. Maintain BUY; target price: RM5.10.

3Q25 Results

Year to 31 Dec (RMm)	3Q25	qoq %	yoy %	9M25	yoy %
Revenue	991.9	21.1	17.8	2,502.5	20.2
Gross Profit	61.2	23.3	25.2	157.8	26.8
EBITDA	33.2	33.7	37.2	79.7	31.1
EBIT	31.9	34.4	37.1	76.6	31.4
PBT	35.0	30.4	32.0	85.0	29.7
Tax expense	(9.2)	38.3	32.9	(21.3)	29.9
PATAMI	25.8	27.8	31.7	63.7	29.6
Core PATAMI	25.8	27.6	32.0	63.6	30.0
Margins	**(%)**	**qoq ppt chg**	**yoy ppt chg**	**(%)**	**yoy ppt chg**
Gross Profit	6.17	0.11	0.36	6.31	0.33
EBITDA	3.34	0.31	0.47	3.19	0.27
PBT	3.53	0.25	0.38	3.40	0.25
Core net profit	2.60	0.13	0.28	2.54	0.19

Source: VSTECS, UOB Kay Hian

Analysis

- **Above expectations.** VSTECS' 3Q25 results came in strong with record quarterly revenue and core net profit of RM991.9m (+18% yoy, +21% qoq) and RM25.8m (+32% yoy; +28% qoq) respectively. This brings 9M25 core net profit to RM63.6m (+30% yoy), accounting for 74% of our full-year estimate. We deem the results to be above expectations, as 9M earnings typically contribute less than or equal to 70% of full-year earnings (64-70% in 2021-24). The pleasant surprise was mainly due to stronger-than-expected activity in public sector projects and greater cloud adoption. Meanwhile, a first interim DPS of 2.8 sen was declared during the quarter.
- **In 9M25,** the strong yoy growth in both revenue and earnings was mainly driven by solid performances across all segments, including ICT distribution (+15% yoy), enterprise systems (+24% yoy), and ICT services (+27% yoy). This was supported by robust demand in consumer electronics (smartphones and AI PC), the revival of public sector projects, higher shipment of AI-related DC equipment, and strong adoption of cloud services.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	2727.2	2901.7	3587.6	4094.0	4761.7
EBITDA	82.7	91.0	108.8	127.6	142.6
Operating profit	79.6	87.6	111.2	132.8	150.1
Net profit (rep./act.)	67.4	70.6	89.5	106.7	120.8
Net profit (adj.)	62.0	70.3	89.5	106.7	120.8
EPS	17.4	19.7	25.1	29.9	33.9
PE	22.6	19.9	15.7	13.1	11.6
P/B	3.1	2.8	2.5	2.2	2.0
EV/EBITDA	15.5	14.2	11.8	10.0	8.8
Dividend yield	1.7	1.7	2.6	2.7	3.0
Net margin	2.3	2.4	2.5	2.6	2.5
Net debt/(cash) to equity	(25.7)	(21.1)	(21.6)	(21.3)	(21.8)
Interest cover	62.7	226.4	287.3	343.2	388.0
ROE	14.8	14.0	16.1	17.1	17.1

Source: VSTECS, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	ICT Distributor
Bloomberg ticker	VST MK
Shares issued (m)	356.6
Market cap (RMm)	1,504.7
Market cap (US$m)	363.9
3-mth avg daily t'over (US$m)	0.4

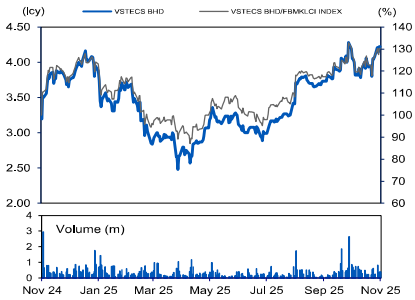
Price Performance (%)

52-week high/low				RM4.4/RM2.46
1mth	3mth	6mth	1yr	YTD
(1.4)	23.4	37.5	32.7	4.5

Major Shareholders

	%
VSTECS Holding Ltd	45.6
Sengin Sdn Bhd	12.2
Dasar Technologies Sdn Bhd	8.6

Price Chart



Source: Bloomberg

Company Description

VSTECS is the leading distributor of ICT products to consumers and enterprises in Malaysia. Founded in 1985, the group distributes a wide range of ICT products to both consumer and enterprise and provides IT services in the form of pre-sales, integration, and post-sales in support of the brands represented.

- **3Q25 sales rose 18% yoy,** supported by strong growth across all three business segments. Core net profit surged with a wider quantum of 32% yoy in tandem with higher sales, underpinned by stronger contributions from the enterprise systems and ICT services segments, which outpaced the lower-margin ICT distribution segment.
- **Three pathways to capture AI growth.** VSTECS is exploring three complementary layers of AI infrastructure opportunities that align with Malaysia's accelerating digital and data-centre landscape. First, through partnerships with public cloud providers such as AWS, Azure, and Alibaba Cloud (which already started), VSTECS is exploring opportunities to resell more GPU-optimised instances and AI platform subscriptions, capturing recurring revenue from enterprises adopting cloud-based AI workloads (without data sovereignty). Second, under the on-premise AI infrastructure model, the group provides complete AI hardware and platform solutions, including GPU servers, networking systems, and AI software stacks to customers operating their own data centres. Finally, in the local cloud-based GPU and AI-platform segment (AIaaS), VSTECS is positioned to support the development of sovereign AI ecosystems by delivering integrated GPU infrastructure and customised local AI platforms to service providers (normally local telcos), and subsequently reselling their AI services and applications to local enterprise end-users. Currently, VSTECS has already materialised the first pillar, while pillars 2 and 3 are still under discussion with potential partners and clients.
- **Resilient ICT distribution and services pipeline.** VSTECS's ICT distribution and services pipeline remains solid, supported by multiple structural growth drivers. On the distribution front, shipment for AI PCs is expected to continue gaining traction and capturing market share from traditional PCs, while the newly launched Starlink Mini should further catalyse ICT hardware sales. According to Gartner, AI laptops are projected to account for 31% of total laptop shipments in 2025 (from 16%). Meanwhile, on the ICT services front, demand is expected to grow in tandem with the rising momentum in the enterprise systems segment, as described above. Cloud services are also poised to contribute more meaningfully in 2H25, as enterprises accelerate migration to cloud infrastructure to enhance scalability and operational resilience. VSTECS expects recurring revenue from maintenance and cloud subscriptions, which currently represents about 20% of ICT services, to potentially rise to 50% within two years as cloud adoption deepens.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM5.10,** based on 0.85x PEG ratio, which is derived from 17.0x 2026F PE. Given the lack of local listed peers for valuation benchmarking, we use a 0.85x PEG ratio, reflecting a three-year net profit CAGR of 20% from 2024. We believe the group has entered a strong growth phase of high earnings delivery by capturing the total addressable market of Malaysia's colocation data centre segment.

Earnings Revision/Risk

- Upgrade 2025 earnings by 4% to reflect a higher contribution of public sector projects and cloud adoption.

Environmental, Social, Governance (ESG) Updates

Environmental

- Electricity withdrawal from main grid reduced by 20% yoy in 2023.
- Solar power constituted 41% of total electricity consumed in 2023.
- An around 26% reduction in paper consumption.

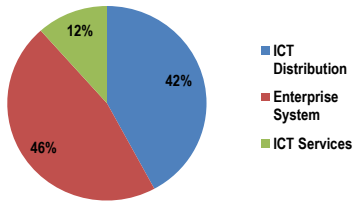
Social

- Maintaining a 50% male-female composition among total employees.
- The group recorded zero work fatalities over the past nine years.
- 100% local employees.

Governance

- Zero confirmed corruption or harassment cases reported.
- Zero fines or penalties from regulatory authorities.

3Q25 Revenue Breakdown

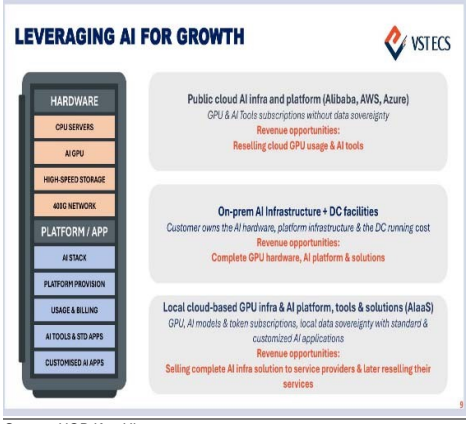


Source: VSTECS

Key Principal Relationships

Source: VSTECS

New AI Opportunity



Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	2,901.7	3,587.6	4,094.0	4,761.7
EBITDA	91.0	108.8	127.6	142.6
Deprec. & amort.	(3.4)	(2.3)	(5.3)	(7.6)
EBIT	87.6	111.2	132.8	150.1
Associates	3.9	3.3	3.3	4.3
Net interest income/(expense)	(0.4)	(0.4)	(0.4)	(0.4)
Pre-tax profit	93.1	118.1	140.8	159.5
Tax	(22.6)	(28.6)	(34.1)	(38.7)
Minorities	0.0	0.0	0.0	0.0
Net profit	70.6	89.5	106.7	120.8
Net profit (adj.)	70.3	89.5	106.7	120.8

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	4.1	9.7	12.5	12.9
Other LT assets	56.5	57.0	57.0	58.0
Cash/ST investment	106.4	120.7	133.4	154.0
Other current assets	705.3	803.1	923.6	1,081.1
Total assets	872.2	990.6	1,126.5	1,306.0
ST debt	2.0	2.0	2.0	2.0
Other current liabilities	357.1	413.3	470.7	559.2
LT debt	0.1	0.0	0.0	0.0
Other LT liabilities	1.9	16.4	25.6	36.1
Shareholders' equity	502.4	556.1	625.4	703.9
Minority interest	0.0	0.0	0.0	1.0
Total liabilities & equity	872.2	990.6	1,126.5	1,306.0

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	10.5	57.3	57.2	69.1
Pre-tax profit	93.1	118.1	140.8	159.5
Tax	20.1	(28.6)	(34.1)	(38.7)
Deprec. & amort.	6.3	2.3	5.3	7.6
Working Capital Changes	(62.2)	(41.8)	(63.1)	(69.0)
Other operating cashflows	(0.4)	9.6	13.6	17.3
Investing	1.6	(8.0)	(8.0)	(8.0)
Capex (growth)	(1.2)	(8.0)	(8.0)	(8.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from Sale of Assets	0.2	0.0	0.0	0.0
Others	2.6	0.0	0.0	0.0
Financing	(56.5)	(35.0)	(36.5)	(40.5)
Dividend payments	(23.5)	(35.8)	(37.3)	(42.3)
Proceed from Borrowings	(0.4)	(0.4)	(0.4)	(0.4)
Loan repayment	(0.2)	0.0	0.0	0.0
Others/interest paid	2.2	0.8	0.8	1.8
Net cash inflow (outflow)	(44.5)	14.3	12.7	20.6
Beginning cash & cash equivalent	150.9	106.4	120.7	133.4
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	106.4	120.7	133.4	154.0

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	3.1	3.0	3.1	3.0
Pre-tax margin	3.2	3.3	3.4	3.3
Net margin	2.4	2.5	2.6	2.5
ROA	8.1	9.0	9.5	9.3
ROE	14.0	16.1	17.1	17.1
Growth				
Turnover	6.4	23.6	14.1	16.3
EBITDA	10.1	19.6	17.2	11.8
Pre-tax profit	12.5	26.8	19.2	13.3
Net profit	4.7	26.8	19.2	13.3
Net profit (adj.)	13.3	27.2	19.2	13.3
EPS	13.3	27.2	19.2	13.3
Leverage				
Debt to total capital	0.1	0.0	0.0	0.0
Debt to equity	0.1	0.1	0.1	0.1
Net debt/(cash) to equity	(21.1)	(21.6)	(21.3)	(21.8)
Interest cover	226.4	287.3	343.2	388.0

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act 2001 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas ("PT UOBKH"), which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOB Kay Hian (M) Sdn. Bhd. ("UOBKHM") (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore.Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2025, UOB Kay Hian Pte Ltd. All rights reserved.

http://research.uobkayhian.com

RCB Regn. No. 197000447W